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November 22, 2005

State of Arizona Office of the Auditor General
Debbie Davenport, Auditor General
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

Amphitheater Unified School District appreciates the difficult work that the Auditor General's Office is charged with in preparing performance audits. The task of comparing school districts financial performance solely based upon similar student enrollments with their unique demographic, economic, geographic and academic achievements is a challenging assignment. Listed below are comments relating to each chapter and responses to each recommendation:

Chapter 1: Administration

Recommendations

1. The District should evaluate whether it can reduce the number of administrative positions to produce cost savings.

District Response: The District agrees with the finding and will implement the recommendation.

Over the past five years, the District has made significant cuts in administrative costs. The District will continue to look for methods of reducing positions in the area of administrative costs, when feasible, with specific attention focused at the clerical support positions discussed in the report.

2. The District should continue to monitor the costs of its early retirement program to determine whether further changes are needed to reduce the associated costs.

District Response: The District agrees with the finding and will implement the recommendation.

In 2002, the District terminated the Early Retirement Program. In its place, an Early Retirement Phase Out Program was instituted which will also terminate through attrition and hiring. The district will continue to monitor its early retirement program which currently phases down each year and is eliminated in 2012.

3. The District should implement a system of formal written procedures to ensure that access to computer systems and data is based on job responsibilities, passwords are changed on a regular basis, and access is removed when employees leave the District's employment.

District Response: The District agrees with the finding and will implement the recommendation.

The District is in the process of implementing password expirations and is developing procedures and regulations for computer system access.

Chapter 2: Food Service

Recommendations

1. The district should consider recovering all food service program-related costs, including indirect costs, such as electricity.

District Response: The District agrees with the finding and will implement the recommendation.

The District began charging Food Services for utilities in fiscal year 2004-2005 and will continue to evaluate whether the Food Services Department is paying all of its costs.

2. The District should monitor salary and benefit costs with the goal of limiting these expenditures to no more than 50 percent of food service revenues.

District Response: The District agrees with the finding and will implement the recommendation.

The district will continue to monitor labor costs, but acknowledges that a quality program cannot exist without the ability to attract and retain the most qualified staff.

3. The District should require the food service staff to inventory snack bar items to help ensure that cash sales have been accounted for properly.

District Response: The District agrees with the finding and will implement the recommendation.

Chapter 3: Student Transportation

District Comments:

Comparability of Data

The district disagrees with the choice of comparable districts presented in Table 5. The districts presented are not comparable in terms of the number of riders and route miles. Tempe Elementary's Performance Audit page 24 Table 7 shows a comparison of similar districts based upon the number of riders and route miles. This data, which is one year older, shows the average cost per rider at \$520 versus the \$494 produced by dissimilar districts in our report. In addition, we do not believe that districts that serve high school students should be compared to elementary school districts. Elementary schools do not have the volume of field trips, athletic events or vocational education programs offered by Union or Unified School Districts.

Allegations that Driver Issues Could Place Students in Jeopardy

The report discusses two incidents which occurred during the 2005 fiscal year while the 2004 Performance Audit fieldwork was underway; these incidents received a great deal of attention in the local press during the fieldwork. We dispense with any argument as to the appropriateness of addressing issues which occurred outside of the fiscal year in audit.

Based on the report, it may appear to a reader that Amphitheater Public Schools has full authority over the medical qualification of its drivers. In point of fact, the medical qualification of drivers is vested in the Arizona Department of Public Safety and is not within the jurisdiction of the District to independently determine.

A.C.C. R17-9-102 sets forth the procedures and requirements for the physical examination of school bus drivers. Such examination is, notably, to be conducted by a health care provider using a DPS form, which is actually created by the federal government. An applicant or school bus driver is qualified to operate a school bus if the health care professional concludes that the applicant or school bus driver has no condition that would interfere with the applicant's or school bus driver's ability to operate a school bus safely (A.C.C. R17-9-102(B)(1)). Thus, physical qualification of drivers is, in the first instance, a medical question and ultimately a question for the Department of Public Safety and its medical review process.

The federal regulations governing commercial driver licenses specifically address the issue of drug use, which one of the incidents discussed in the draft report involved.

49 C.F.R. 391.41(b)(12) states quite plainly:

A person is physically qualified to drive a commercial motor vehicle if that person:

does not use a controlled substance identified in 21 C.F.R. 1308.11, Schedule F, an amphetamine, a narcotic, or any other habit-forming drug. Exception: A driver may use such a substance or drug if the substance or drug is prescribed by a licensed medical practitioner who is familiar with the driver's medical history and assigned duties, and has advised the driver that the drug will not adversely affect the driver's ability to safely operate a commercial motor vehicle. (italics in original; underline emphasis added)

Thus, the relevant law states, unequivocally, that even a driver using a controlled substance is qualified to drive if the proper medical certification is in place. Unfortunately, the District cannot discuss its former employee's medical situations, but we are aware of no information suggesting that the Department of Public Safety did not properly follow this procedure before certifying the employee in question.

The incidents mentioned in the report both revolve around two separate individuals' medical qualifications to serve as certified bus drivers. The report concludes that these incidents are an indicator that the District needs to strengthen its driver training program. The suggestion of the report is that had the driver training program of the District been "better" in some *undefined* way, these two incidents would not have occurred. This conclusion is not supported by citation of any data; indeed, the audit field work included only a minimal examination of the District's bus driver training program. Moreover, the most unfortunate aspect of this portion of the report is that it appears to shift responsibility for criminal acts from where that responsibility truly rests: on the individual involved.

A school district can, as Amphitheater has, thoroughly and completely prohibit improper use of prescription drugs by its employees and yet find that, on a rare occasion, an employee will violate that prohibition. Does that establish a defect in the prohibition? Despite the substantial weight of Title 13 of the Arizona Revised Statutes, Arizona's "criminal code", people still commit crimes.

Student safety is a chief priority of Amphitheater Schools. The incidents in question are aberrations of personal irresponsibility and, in one case, criminal misconduct. They do not reflect the quality and professionalism of the District's transportation employees in any way, nor do they reflect any actual defect in our training program. In point of fact, the District's accident rate (a far better indicator of training quality than the misconduct of two individuals out of hundreds of employees) dropped 25% from FY 2002-03 to 2004-05.

The District also provided the audit team with multiple policies and regulations which clearly and unequivocally prohibit being under the influence of drugs and which also provide clear statements of disciplinary consequences for violations. Yet, the report concludes district policies need unspecified "strengthening." District Regulation GBPDD-RA lists controlled substances, states that testing for controlled substances will be conducted following any accident upon reasonable suspicion, and specifies that being under the influence of a controlled substance –

among other violations – *shall be grounds for disciplinary action, including termination*. Notably, this policy applies to all district employees, not just transportation employees. In that way, the District's policies exceed common standards.

In another policy applicable exclusively to its transportation employees (Policy EEAEAA), the District details prohibited conduct of its bus drivers related to drug and alcohol use. In the corresponding, seven-page regulation (Regulation EEAEAA-R), the District spells out conditions in which drug and alcohol testing will be conducted, the procedures for testing, and training requirements for all of its drivers – again specifying removal from duty as a possible consequence of violations.

These policies are in full compliance with 49 USC §2717 (Omnibus Transportation Employee Testing Act of 1991), 49 CFR Parts 40, 382 and 395, and A.R.S. § 15-513. It is unclear whether these authorities or any others were considered before the conclusion of the report on policy strength was written.

Recommendations

1. To reduce costs, the District should evaluate awarding its special needs transportation contract to the lowest cost vendor that can meet all requirements. In addition, the District should ensure that vendor routes are efficient and effective and should consider using its own computerized routing system to develop these routes. Further, in its request for proposals, the district should specify only the necessary descriptive information related to the services it desires, and should subsequently hold vendors to the agreed-upon contract terms.

District Response: The District agrees with the finding and will implement the recommendation.

We are in the process of reviewing the routing of all contractors. The district has begun purchasing special needs buses to eliminate the need for outside vendors.

2. In its bus driver training program, the district should reinforce knowledge of the conditions that would prevent a driver from maintaining certification and the requirement for drivers to notify the District of significant changes in their physical condition or medical treatment. In addition, the District should strengthen its disciplinary policies that detail the consequences for failing to comply with this requirement and discuss these policies as part of its training activities. The District should also develop a policy that requires it to assess the risks of allowing drivers taking certain medications, such as prescription narcotics, to transport children.

District Response: The District does not agree with the finding but will implement a modification of the recommendation.

Although the items specified have and will continue to be part of our driver training program, we are willing to strengthen training activities whenever possible. We are unable, however, to control driver certification as that is a function and legal responsibility of the Department of Public Safety.

3. The district should continue to evaluate reinstalling the lock system of its fuel pumps to prevent unauthorized usage and more accurately track how its fuel is being used.

District Response: The District agrees with the finding and will implement the recommendation.

The district is reinstalling the system that was defectively installed by a contractor that is no longer in business. The District is pursuing the Performance Bond on the contractor.

4. The District should implement a tracking method to ensure that it performs bus preventative maintenance activities timely.

District Response: The District agrees with the finding and will implement the recommendation.

An automated maintenance tracking system will be in place in January 2006.

5. Before submitting them to ADE, the District should analyze its route mileage reports to ensure their accuracy, including separately reporting mileage for activities such as field trips and athletics.

District Response: The District does not agree with the finding but will implement a modification of the recommendation.

The District disagrees with the Auditor General's reporting of a potential overstatement of route miles without disclosing all of the information. The district's Transportation Facility was vandalized in June of 2004. During this act of vandalism, records were destroyed that were needed to accurately document route miles for that school year. The data that was supplied to the Auditor General's staff represented an attempt to reconstruct stolen data. The information concerning the theft and its impact on the completeness of the data was provided to the Auditor General's staff but was not included within the narrative of their report. The District's forms have separated the reporting miles for field trips and athletics since 2004 and the 2004/2005 audit did not have a finding with this area.

Chapter 4: Plant Operation and Maintenance

Recommendation

1. The district should review staffing levels, in particular its district- and school-level security and monitoring staff, to determine whether the number of plant operation and maintenance positions can be reduced and savings can be redirected into the classroom.

District Response: The District agrees with the finding and will implement the recommendation.

The District will review all staffing levels but is unwilling to sacrifice safety at the school sites.

Chapter 5: Proposition 301 Monies

Recommendations

1. The district should ensure that its Proposition 301 plan also addresses how it will spend base pay and menu option monies, including which of the six allowable options it will be addressing.

District Response: The District agrees with the finding and will implement the recommendation.

The district will modify its plan for Governing Board approval to clarify which of the six items it is addressing.

2. The district should ensure that it revises its Proposition 301 plan if payment criteria are changed and that any changes are formally approved by the Governing Board.

District Response: The District does not agree with the finding and will implement the recommendation.

The Governing Board approved the prorated distribution for Performance Pay on October 5, 2004. A description of the prorating was included in the agenda materials. The district will revise the performance pay plan as changes are needed.

Chapter 6: Classroom Dollars

Recommendations

1. The District should ensure that its transactions are classified in accordance with the Uniform Chart of Accounts for school districts.

District Response: The District agrees with the finding and will implement the recommendation.

The District is in the process of implementing this recommendation. We expect to have the item complete during the 2005-2006 fiscal year.

2. The district should closely analyze its spending in noninstructional areas to determine if savings can be achieved and whether some of those monies can be redirected to the classroom.

District Response: The District agrees with the finding and will implement the recommendation.

The district began implementing a zero-based budgeting process for all non-school sites during the 2004-2005 fiscal year to examine account coding issues as well as noninstructional spending. The District will continue to work towards spending more dollars on direct instruction.

The District looks forward to meeting with your team in six months to discuss how we have implemented the recommendations.

Sincerely,

Vicki Balentine, Ph.D.
Superintendent